



MegaTrends

Sounds of Summer

June 30 2020



A Letter From Our Founders

This month we wanted to explore the SOUNDS OF SUMMER as a major shift from streaming audio services to on-demand services takes hold. Ad-free experiences aren't enough for us anymore. We need to play what we want, when we want it.

That means podcasts, creating our own playlists, and most of all – it means huge advertising dollars for the companies that win.

But not all players in this space are created equal. LikeFolio data shows a few clear winners, and lots of laggards. For this report, we're going to focus on the winners:

- Spotify (NYSE: **SPOT**) – consumer winner in on-demand audio platforms.
- Turtle Beach (Nasdaq: **HEAR**) – consumer winner in audio equipment for gamers.
- Sonos (Nasdaq: **SONO**) – consumer winner in connected audio speakers for home.

Each of these three companies hits all three of our critical metrics out of the park:

They are the beneficiaries of a major consumer macro trend, the consumer demand for their products is growing quickly, and their customers are happy.

Please enjoy this report and note the commentary around entering positions. There's been a major run in the markets, and these three stocks are not immune to a potential market pullback.

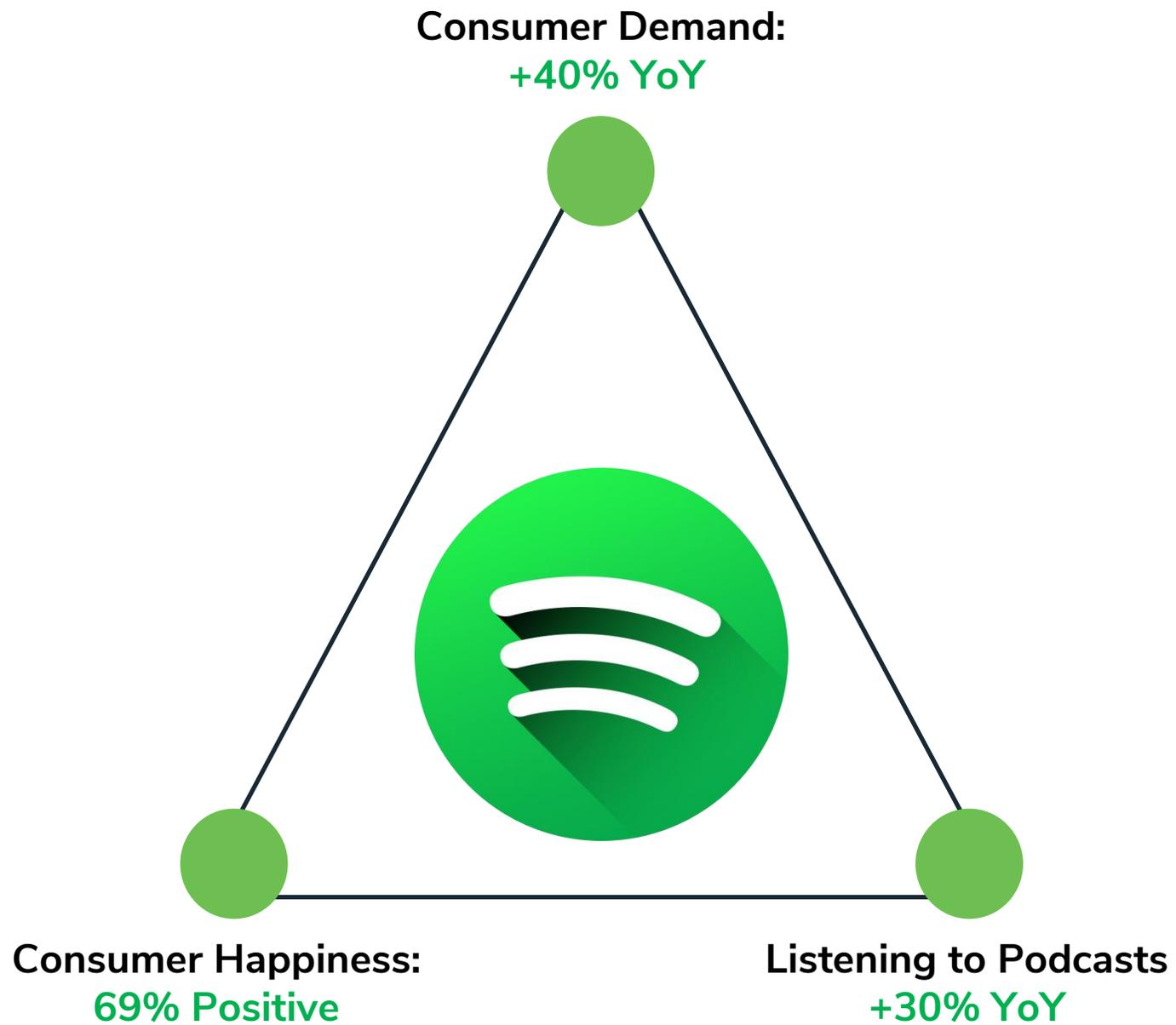
From a long-term perspective, we have every reason to believe that a position established on these names in 2020 will pay off handsomely in the years to come.

Thank you,

Andy Swan & Landon Swan
Founders, LikeFolio



SPOT *Bullish*



Bullish: SPOT

Actionable Trade Idea

Buy Spotify Technology (NYSE: SPOT) stock up to \$250/share**

Consider establishing a position over time.

A potential income-generating approach would be to sell put options with a strike price 10+% below current market price and repeat each expiration cycle until a stock position is established.

We believe the stock could move up by more than 200% in the next two years.

ON ALL TRADES, it is important to use proper risk management to correctly allocate and protect your capital.

Swans Say...

“I know what you’re thinking. “Andy, you’ve been bullish on Spotify forever and the stock has already made a huge run. Isn’t that enough?”

No.

This is a transformative company. Year over Year Purchase Intent mentions are up nearly 40%, Consumer Happiness is high, and they’re preparing to ride one of the biggest consumer macro trends in recent memory: podcasting.

They’ve got Joe Rogan, the godfather of long form audio content coming on to the platform exclusively, and are signing new talent by the day.

Everything about this reminds me of NFLX a few years ago. The stock is “too high”, they’re “paying too much” for exclusive content, etc. etc.

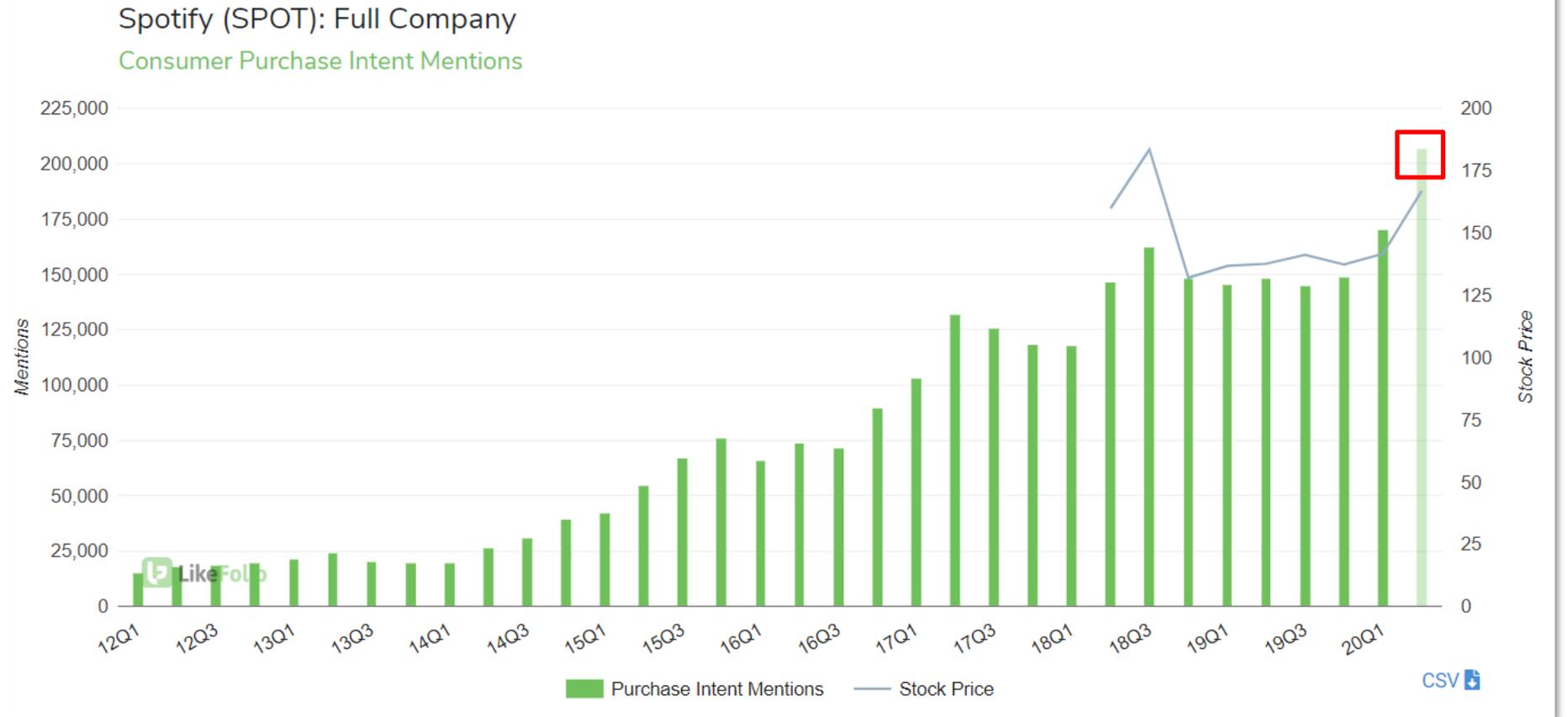
Well guess what – that playbook works when you execute on it well. And according to LikeFolio data, Spotify is doing just that.

Yes, we need to be careful on entries after such a huge run. But if you don’t already have a position in this company, please do yourself a favor and at least put it on your watchlist!

Consumer Demand:

- 20Q2 (ending June 30) is on track for 40% YoY growth.
- This is the highest level of Purchase Intent ever registered for Spotify.

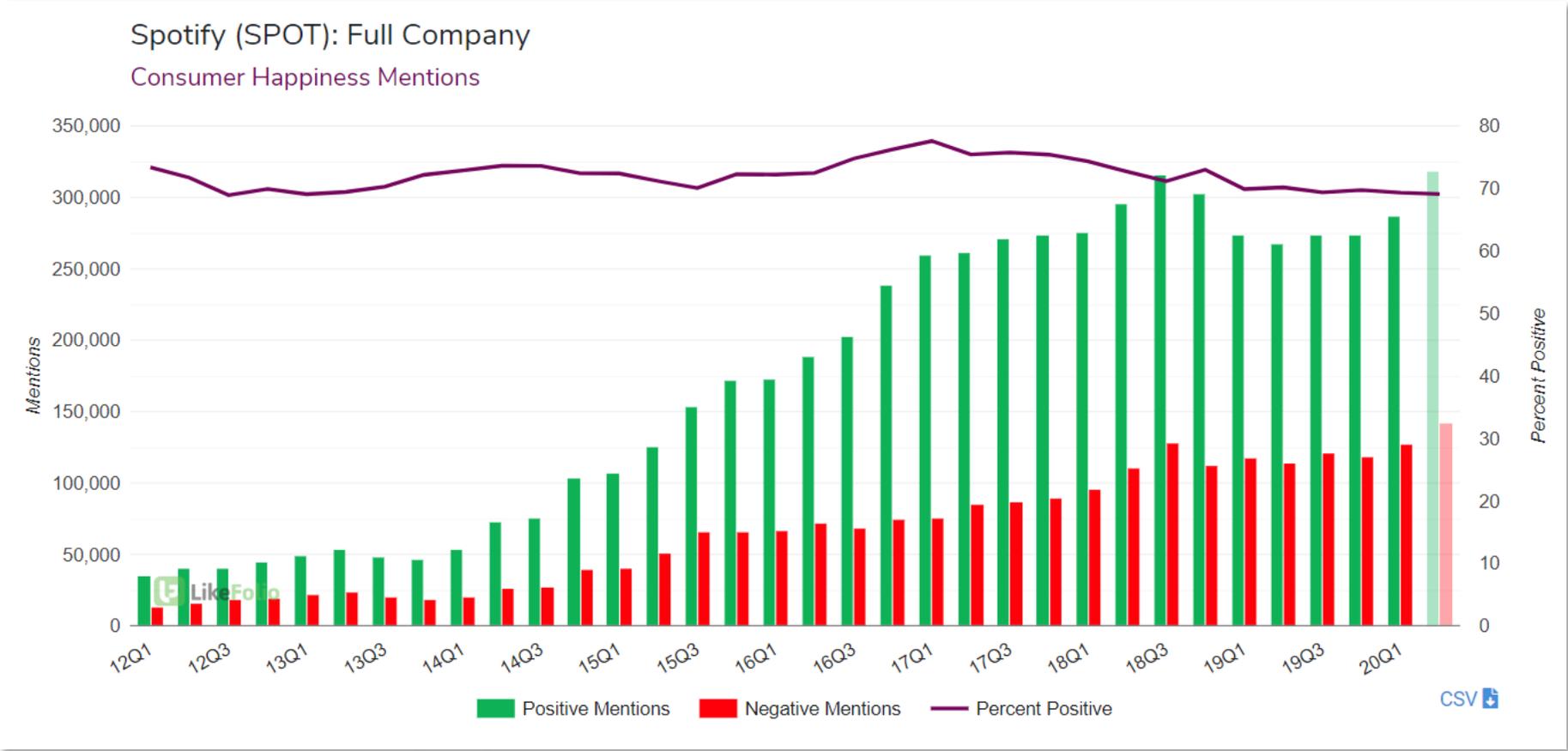
SPOT: Consumer Demand Growth



Consumer Happiness:

- Spotify is holding high levels of consumer happiness alongside tremendous user growth and an enormous sample size: 69% positive.
- To give perspective, peer SIRI (owner of Sirius XM and Pandora Radio) is amid a -7% YoY happiness drop while demand remains relatively flat.

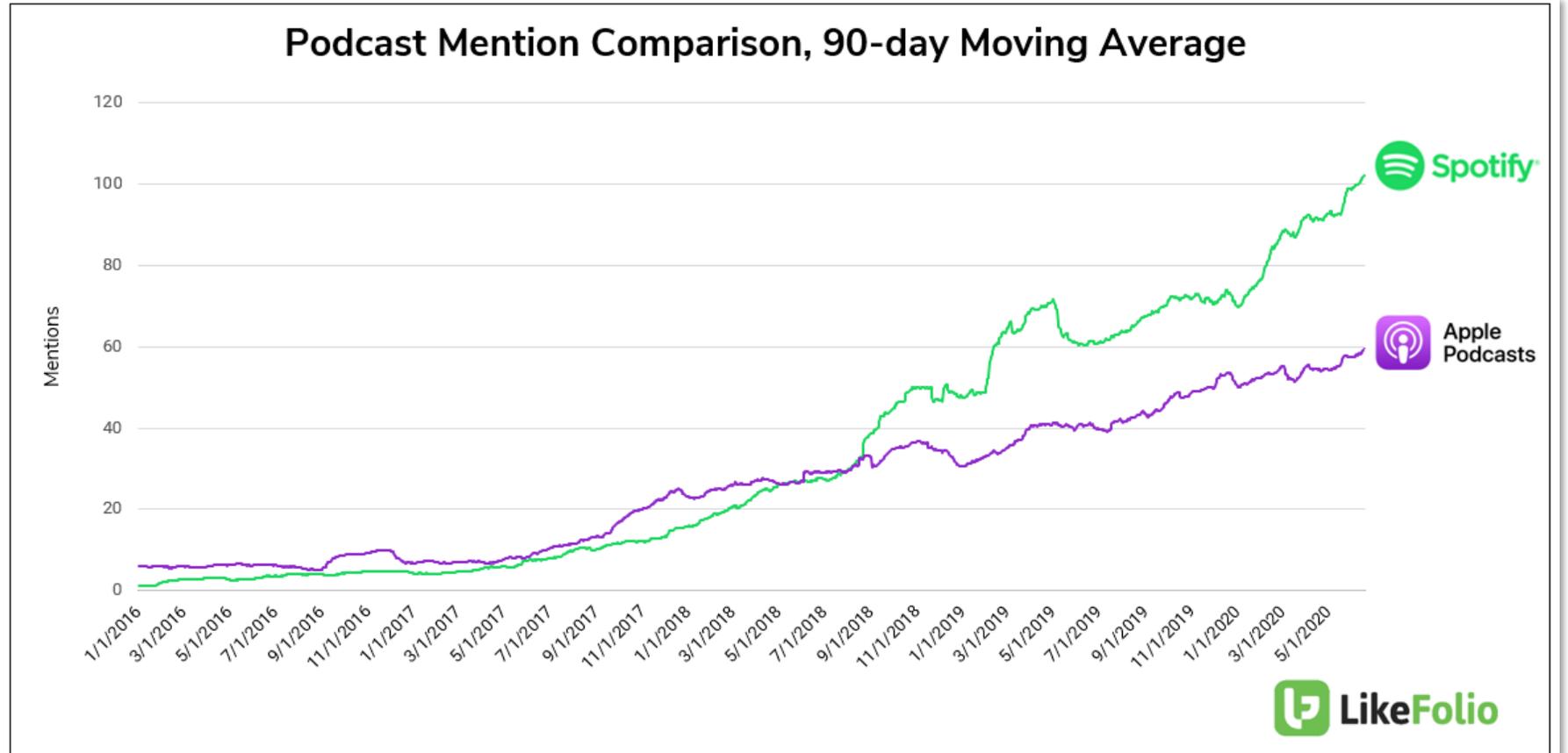
SPOT: Consumer Happiness Is Solid



Macro Tailwind:

- More consumers are listening to podcasts than ever.
- Mentions of streaming, listening to, or subscribing to a podcast increased 30% in the last 90 days vs. the prior year.
- Spotify is edging out competition in podcast adoption.

Podcast: Audio Streaming is Booming



SPOT: Supplemental Research

➤ Partnerships are driving growth.

Spotify's reach is expansive. The company's [CEO credited](#) its **partnerships with more than 300 device makers** as one of the reasons it was able to hit all key metric expectations through COVID, even battling a decline in ad sales. So while usage on mobile devices and cars dropped during quarantine, integration in video game consoles like Xbox and PlayStation swelled to balance out demand.

A [new deal with Comcast](#) is making 50 million music tracks and more than 1 million podcasts available for Xfinity customers.

➤ Spotify is winning podcasts.

Spotify made a [HUGE investment last year](#) to master the podcast universe. On its [last letter to shareholders](#), the company released figures calc'ing monthly active podcasts listeners near 55 million, with **consumption growing at triple digit rates YoY**.

Why is this important? Ad spend. Spotify is leveraging [podcast formatting to make ads more effective](#). If targeting and integration can increase conversions, Spotify stands to take a massive piece of a growing ad market: [podcast ad revenue is projected to reach \\$659 million in 2020](#).

HEAR *Bullish*



Bullish: **HEAR**

Actionable Trade Idea

Buy Turtle Beach Corp (NASDAQ: HEAR) stock up to \$15/share**

Consider establishing a position over time.

A potential income-generating approach would be to sell put options with a strike price \$1 below current market price and repeat each expiration cycle until a stock position is established.

We believe the stock could move up by more than 300% in the next four years.

ON ALL TRADES, it is important to use proper risk management to correctly allocate and protect your capital.

Swans Say...

If I could snap my fingers and turn every video gamer into a kid playing sports outside with their friends, I would.

But I can't... and video gaming is here to stay.

These kids (and adults) have a different experience than we did with video games. It's no longer an isolated activity.

Everything is interactive, immersive....and requires fantastic sound. That's where Turtle Beach comes in.

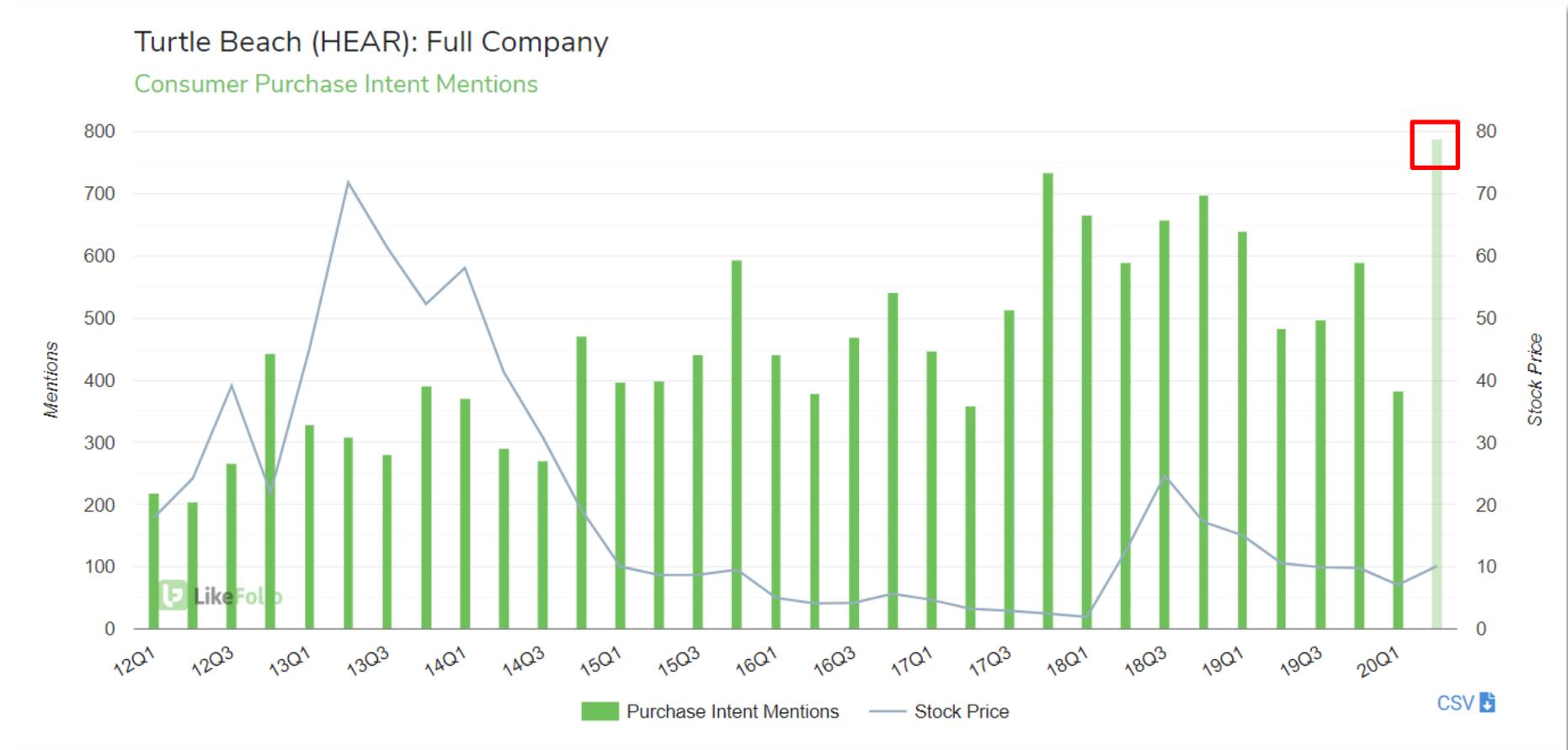
Purchase Intent mentions are booming, up 62% year over year and more than double the level they were at just 90 days ago. To top it off, they're maintaining a consumer happiness rating of over 80%.

Impressive stuff, and an impressive opportunity for investors long term.

Consumer Demand:

- Purchase Intent mentions for 20Q2 (ending June 30) are pacing +63% YoY.
- Demand for the Turtle Beach Stealth line of wireless headsets surged through quarantine: mentions are pacing +55% YoY.

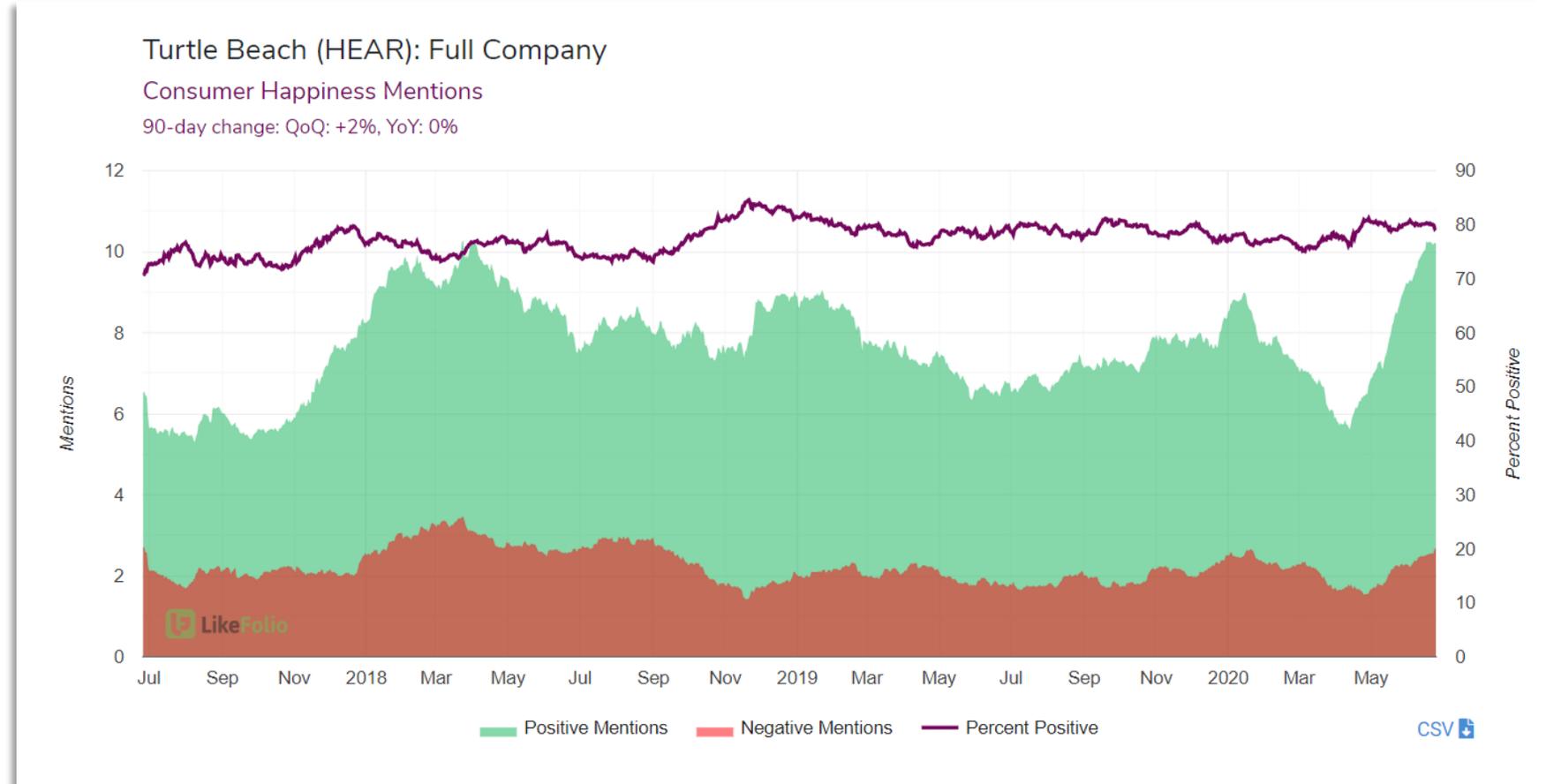
HEAR: Consumer Demand Growth



Consumer Happiness:

- As demand rises, sentiment hasn't fallen at all. Consumer happiness is +80% positive (this is extremely high).

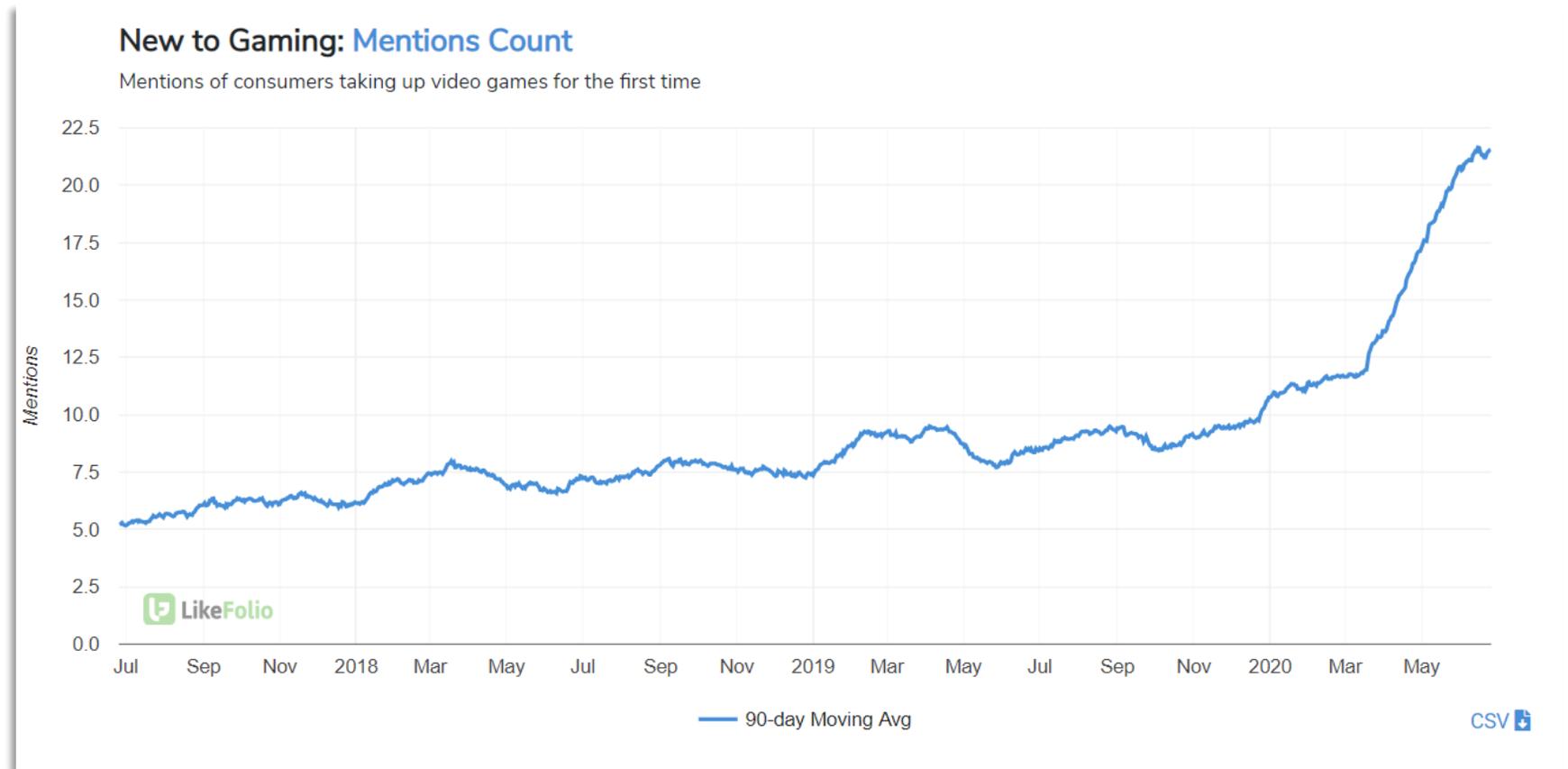
HEAR: Consumer Happiness Is High



Macro Tailwind:

- Not only are consumers gaming more (+84% YoY), new gamers are picking up a handset.
- Mentions of gaming for the first time increased +168% in the last 90 days vs. the prior year.

HEAR: New Gamers Are Everywhere



HEAR: Supplemental Research

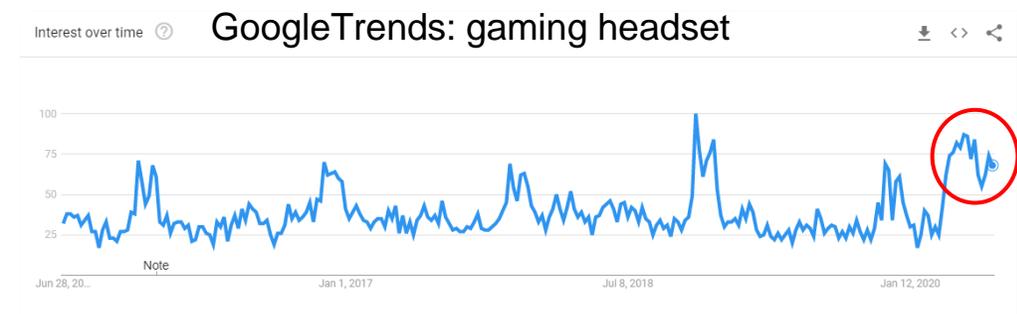
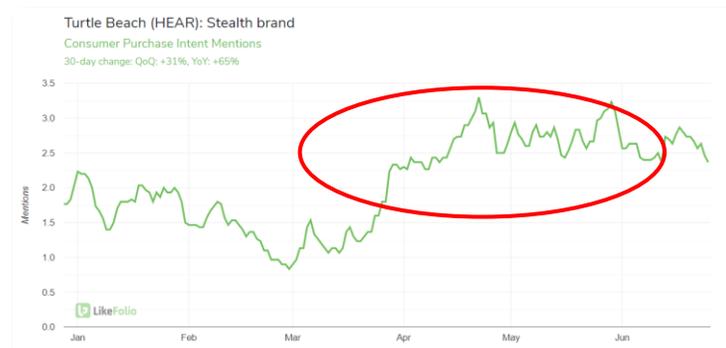
➤ Products are flying off the shelf.

Turtle Beach [increased its sales outlook for 20Q2](#), noting: “Although the second quarter has not yet ended, we now know that based on sales already booked and current visibility on product supply that **our sales for the quarter will exceed the high end of our earlier forecast by more than 55%**...Consumer demand for both console and PC gaming headsets and accessories has remained stronger than expected.”

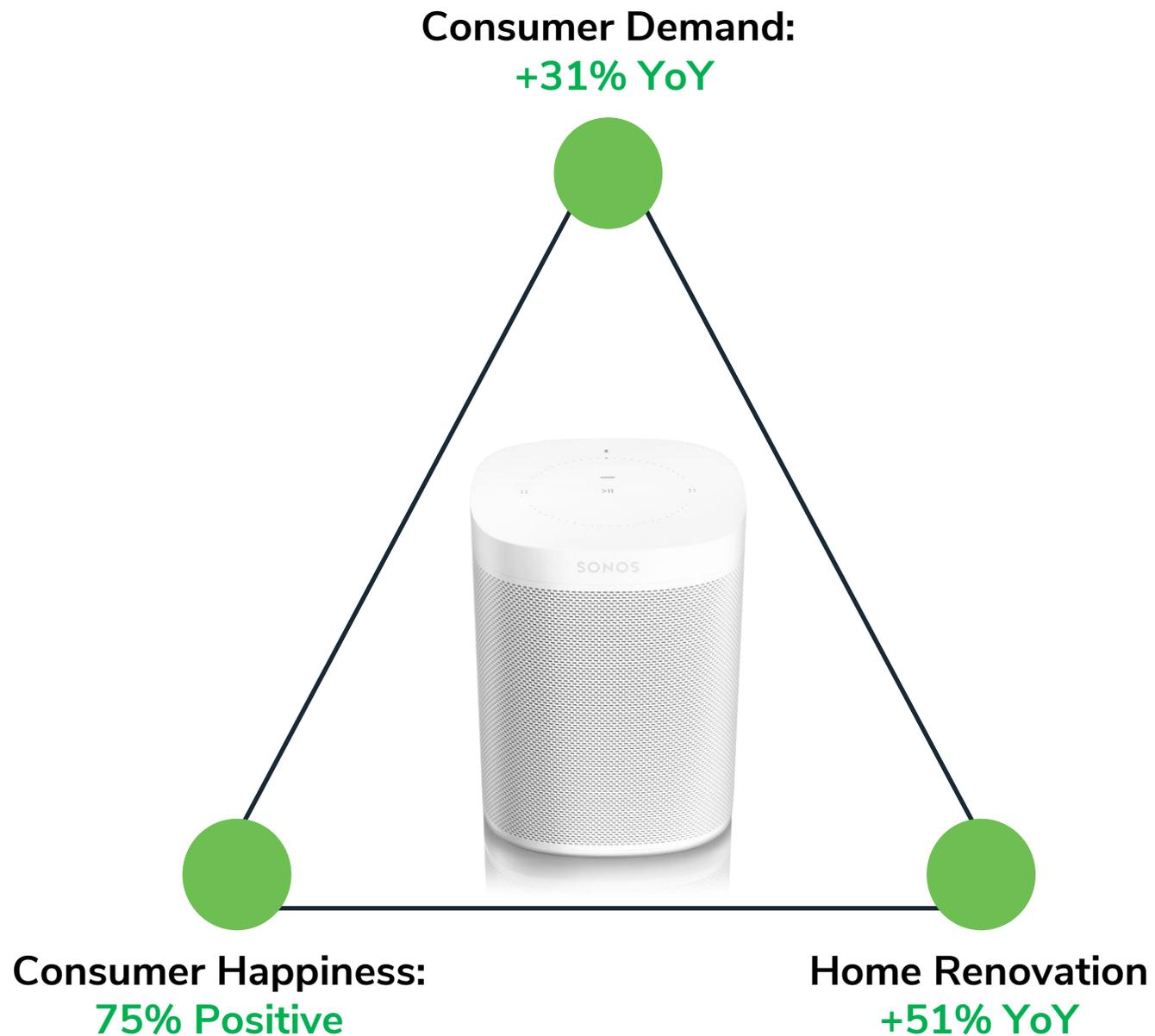
➤ The Wireless Gaming Headset Market is growing.

Long-term, the [global wireless gaming headset market](#) is poised to grow by ~\$998 million during 2020-2024.

Short-term, consumers are continuing to buy/upgrade their headsets post-quarantine. LikeFolio data reveals sustained levels for the stealth line of wireless headsets. GoogleTrends confirms a deviation from normal purchasing patterns, with elevated interest into June.



SONO *Bullish*



Bullish: **SONO**

Actionable Trade Idea

Buy Sonos, Inc. (NASDAQ: SONO) stock up to \$15/share**

Consider establishing a position over time.

A potential income-generating approach would be to sell put options with a strike price 8-10% below current market price and repeat each expiration cycle until a stock position is established.

We believe the stock could move up by more than 100% in the next two years.

ON ALL TRADES, it is important to use proper risk management to correctly allocate and protect your capital.

Swans Say...

“Sonos is back! LikeFolio Purchase Intent mentions are up 30% year over year, its Consumer Happiness is nearly 80%, and to top it off, they’re benefitting from COVID quarantines via the home renovation craze.

I hesitate to call this a turnaround play, but it really is. The company is laying off employees and closing showcase stores – but consumer demand is growing. **That means a more efficient company with a quicker path to profitability.**

If they can get there, and we think they can, this could be a \$50 stock in no time. Not to mention, it seems likely that Sonos could be a natural acquisition target of some major music services players.”

Consumer Demand:

- Purchase Intent mentions for SONO products have increased 31% in the past 90 days vs. prior year.
- This surge is driven by products in the home theater category. Purchase Intent mentions for the Beam, Arc and home-theater specific items increased by 38% in the last 90 days vs. prior year.

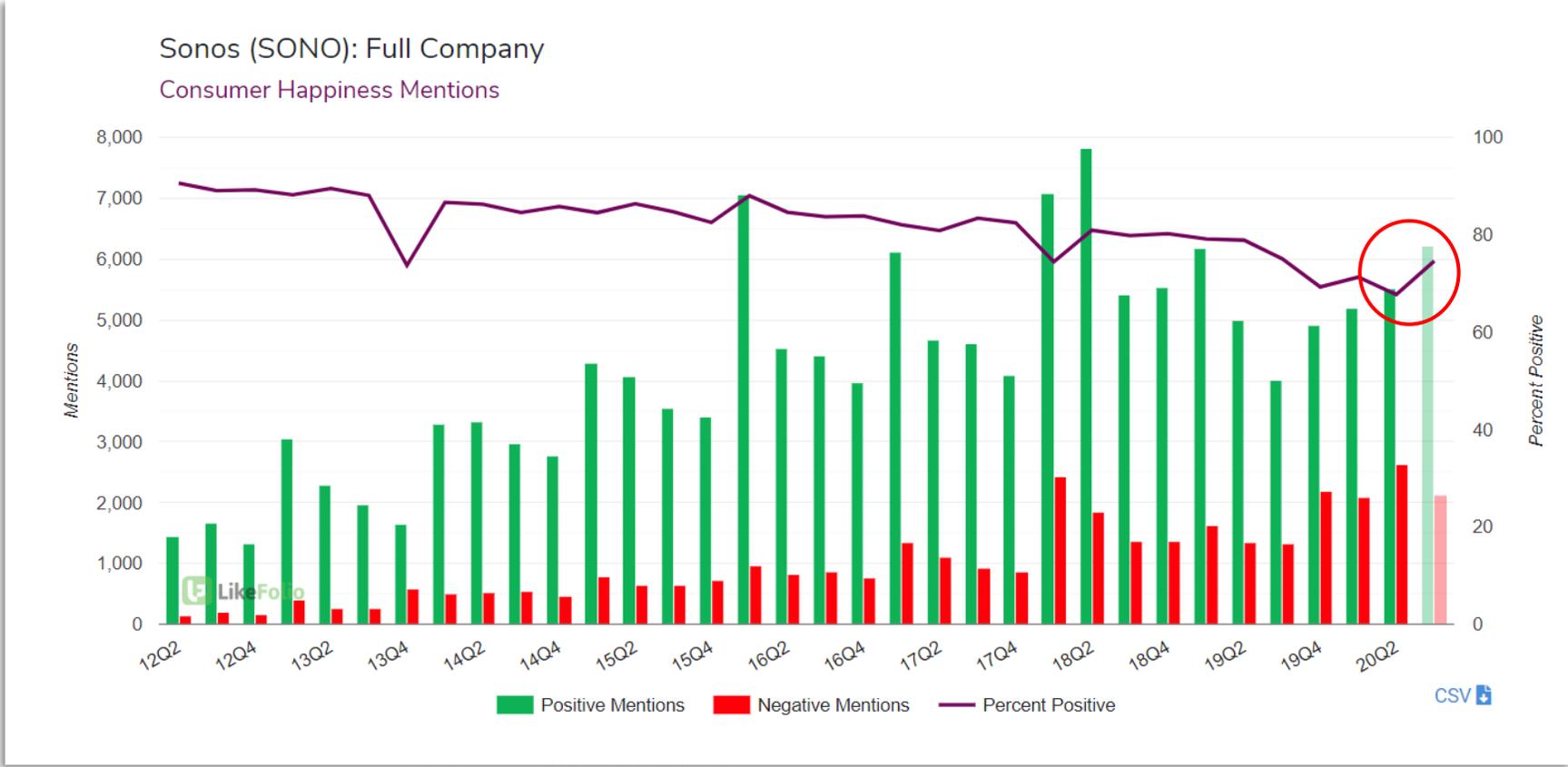
SONO: Consumer Demand Growth



Consumer Happiness:

- Consumer sentiment for Sonos products is 75% positive, and shown incremental improvement since last quarter.

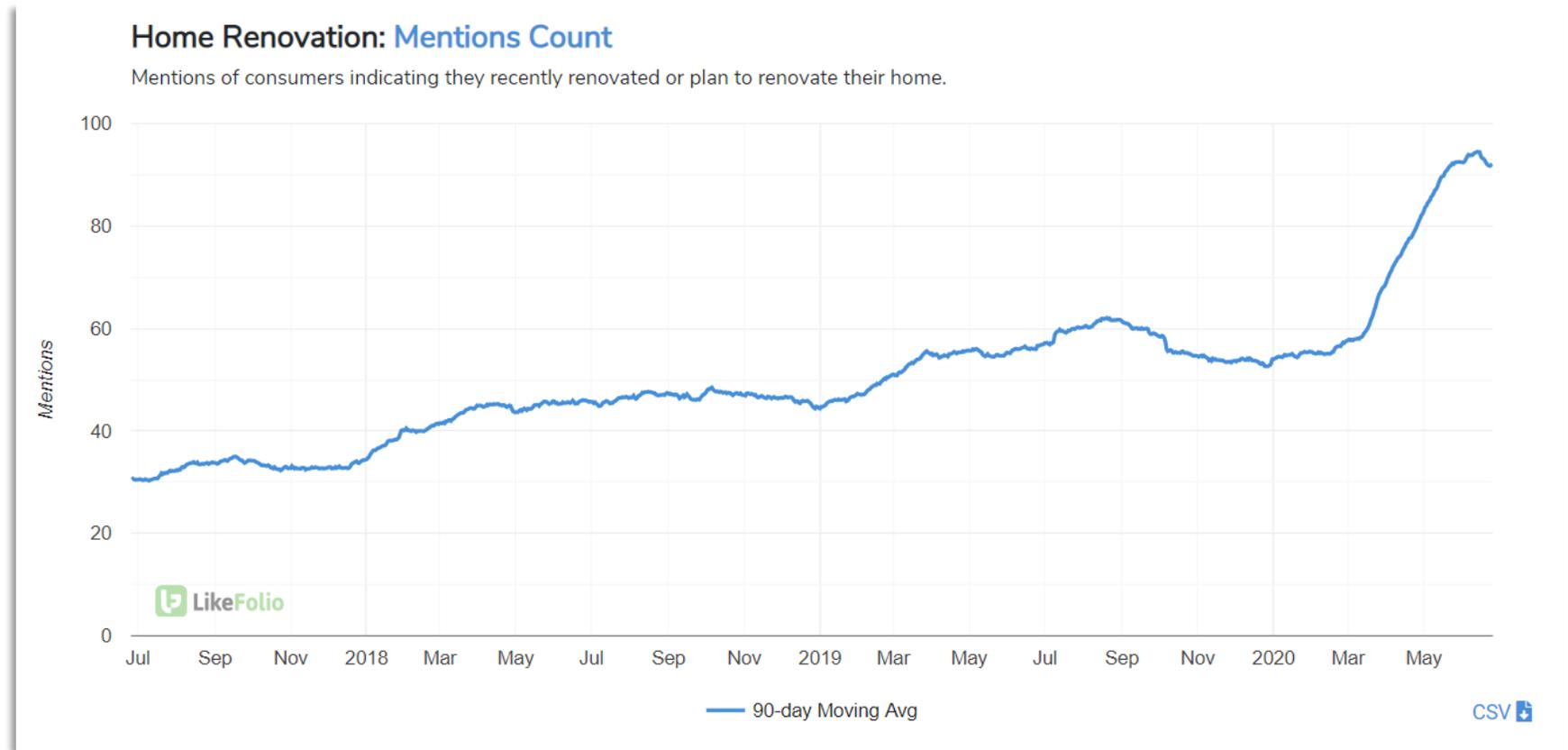
SONO: Consumer Happiness Is High



Macro Tailwind:

- Consumers are renovating their homes during lockdown. Mentions of home renovation are up 51% in the last 90 days vs. prior year.
- Many of these mentions specifically reference home theater upgrades. In fact, Purchase Intent mentions for home theater products also increased 51% YoY in the same period.

SONO: Home Theater Upgrades Underway



SONO: Supplemental Research

➤ Acquisition Rumors are Swirling

[Citron Research](#) called SONO “The sound of the Stay at Home Economy” in a June report, noting similarities between the ecosystem created by Sonos and **Apple**.

“From an outsider perspective, it’s hard to find two companies that seem more philosophically aligned than Sonos and Apple when it comes to product design and business model.”

While this is speculation, it never hurts for a product ecosystem to be compared to the monster that is Apple.

➤ Demand is Surging

LikeFolio data confirms Purchase Intent mentions are on the rise (as previously noted) but mentions of Sonos products being sold out are also spiking, supporting the case for strong demand.

Mentions of Sonos products being “sold out”, “out of stock”, or “unavailable” are up 35% in the last 90 days vs. the prior year.

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LikeFolio

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